New Perspectives on Forecasting Inflation in Emerging Market Economies: An Empirical Assessment[*]

On-Line Appendix

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Abstract

In Duncan and Martínez-García (2018), we use a broad-range set of inflation models and pseudo out-of-sample forecasts to assess their predictive ability among 14 emerging market economies (EMEs) at different horizons (1 to 12 quarters ahead) with quarterly data over the period 1980Q1-2016Q4. In this on-line appendix, we provide additional results to supplement the findings and to provide more detail on the evidence reported in the paper.

JEL Classification: E31, F41, F42, F47
KEY WORDS: Inflation Forecasting, Random Walk, Emerging Market Economies, Policy Credibility.

1 Supplementary Tables

	M₁/M₂	M₃	M₄	M₅	M₆	M₇	M₈	M₉
Table S1 - One-Quarter Ahead RMSPE of the RW-AO Model Relative to Competing Models	RAR or DAR	DAR4	FAR	APC	BVAR2	BVAR4	BVAR2-COM	TVP
Chile	1.033	**0.966**	0.914	**0.786**	0.967	0.850	0.930	1.240
China	1.178	1.220	1.187	1.161	1.186	1.222	1.146	1.153
Colombia	**0.814**	**0.969**	**0.714**	**0.702**	**0.740**	**0.774**	**0.779**	1.165
Hungary	0.928	1.007	0.935	**0.799**	0.944	**0.750**	**0.796**	1.007
India	0.953	**0.898**	1.024	0.954	1.042	0.981	0.984	**0.900**
Indonesia	0.938	**0.911**	0.874	0.992	0.892	0.979	0.911	0.900
Malaysia	1.107	1.110	1.094	1.123	1.103	1.114	1.123	0.953
Mexico	**0.374**	**0.320**	**0.621**	**0.348**	**0.631**	**0.358**	**0.371**	**0.817**
Nigeria	1.038	1.028	0.995	**0.757**	1.012	**0.818**	0.885	0.985
Peru	**0.001**	**0.001**	**0.000**	**0.001**	**0.000**	**0.001**	**0.001**	1.136
Philippines	1.096	**0.868**	1.305	**0.818**	1.333	**0.719**	0.852	1.195
South Africa	1.037	1.074	1.130	0.936	1.154	1.092	1.020	1.191
Thailand	1.194	1.196	1.183	1.173	1.200	1.125	1.190	1.091
Turkey	0.882	**0.920**	**0.788**	0.786	**0.796**	0.752	**0.861**	1.040
Mean	0.898	0.892	0.912	0.810	0.929	0.824	0.846	1.055
Median	0.993	0.967	0.965	0.808	0.990	0.834	0.898	1.065
#<1	7	8	8	11	7	10	10	5
#pv<0.1	3	8	4	7	4	6	6	2

Notes: Columns report the ratio of root mean squared prediction error (RMSPE) from the RW-AO model relative to the RMSPE of standard forecasting models. Values less than one imply that the RW-AO model has a lower RMSPE than does the competitive benchmark. Values in bold indicate that the null hypothesis of equal predictive accuracy is rejected at 10% level using the Diebold-Mariano-West statistic or the adjusted Clark-West statistic when models are nested. See Tables 1.A and 1.B for the data sources. RAR and DAR denote AR(2) model using the iterative and direct methods to forecast, DAR4 is the AR(4) model, FAR is the Factor-Augmented AR(2) model, APC is the Augmented Phillips Curve, BVAR2 is the bivariate Bayesian VAR(2), BVAR4 is the 4-variable Bayesian VAR(2), BVAR2-COM is the bivariate Bayesian VAR(2) with commodity price indexes, and TVP is the time-varying parameter specification.

Table S2 - Four-Quarters Ahead RMSPE of the RW-AO Model Relative to Competing Models

	M₁ RAR	M₂ DAR	M₃ DAR4	M₄ FAR	M₅ APC	M₆ BVAR2	M₇ BVAR4	M₈ BVAR2-COM	M₉ TVP
Chile	**0.725**	**0.691**	**0.843**	**0.792**	**0.610**	0.996	**0.807**	**0.817**	0.932
China	0.945	0.933	**0.924**	1.032	1.063	1.052	1.026	0.964	0.927
Colombia	**0.473**	**0.663**	**0.872**	**0.664**	**0.535**	**0.837**	**0.763**	**0.750**	0.907
Hungary	**0.592**	**0.751**	**0.790**	**0.789**	**0.575**	**0.833**	**0.720**	**0.724**	**0.868**
India	**0.852**	**0.770**	**0.818**	0.839	**0.773**	0.948	**0.859**	**0.867**	0.755
Indonesia	1.046	0.987	**0.972**	**0.642**	0.839	**0.815**	**0.879**	0.934	**0.815**
Malaysia	1.096	1.117	1.126	1.083	1.075	0.947	0.971	0.984	**0.747**
Mexico	**0.136**	**0.119**	**0.118**	**0.280**	**0.113**	**0.429**	**0.153**	**0.159**	0.834
Nigeria	**0.756**	**0.779**	**0.737**	**0.848**	**0.605**	0.857	**0.738**	**0.760**	0.762
Peru	**0.001**	**0.001**	**0.001**	**0.001**	**0.000**	**0.002**	**0.000**	**0.000**	0.866
Philippines	**0.764**	**0.568**	**0.528**	0.887	**0.502**	0.968	**0.661**	**0.648**	0.845
South Africa	0.898	0.993	1.059	1.118	0.956	1.052	0.999	0.994	**0.884**
Thailand	0.996	1.018	1.058	1.024	0.935	0.925	**0.843**	0.935	**0.732**
Turkey	**0.513**	**0.608**	**0.715**	**0.559**	**0.610**	**0.702**	0.740	**0.672**	0.740
Mean	0.700	0.714	0.754	0.754	0.657	0.812	0.726	0.729	0.830
Median	0.760	0.760	0.831	0.815	0.610	0.891	0.785	0.789	0.839
#<1	12	12	11	10	12	12	13	14	14
#pv<0.1	9	9	11	8	9	6	10	9	10

Notes: Columns report the ratio of root mean squared prediction error (RMSPE) from the RW-AO model relative to the RMSPE of standard forecasting models. Values less than one imply that the RW-AO model has a lower RMSPE than does the competitive benchmark. Values in bold indicate that the null hypothesis of equal predictive accuracy is rejected at 10% level using the Diebold-Mariano-West statistic or the adjusted Clark-West statistic when models are nested. See Tables 1.A and 1.B for the data sources. RAR and DAR denote AR(2) model using the iterative and direct methods to forecast, DAR4 is the AR(4) model, FAR is the Factor-Augmented AR(2) model, APC is the Augmented Phillips Curve, BVAR2 is the bivariate Bayesian VAR(2), BVAR4 is the 4-variable Bayesian VAR(2), BVAR2-COM is the bivariate Bayesian VAR(2) with commodity price indexes, and TVP is the time-varying parameter specification.

Table S3 - Eight-Quarters Ahead RMSPE of the RW-AO Model Relative to Competing Models

	M_1 RAR	M_2 DAR	M_3 DAR4	M_4 FAR	M_5 APC	M_6 BVAR2	M_7 BVAR4	M_8 BVAR2-COM	M_9 TVP
Chile	**0.538**	0.891	**0.965**	0.913	**0.743**	0.915	**0.872**	**0.863**	**0.813**
China	0.813	**0.714**	**0.677**	0.976	0.973	0.932	**0.874**	0.984	**0.834**
Colombia	**0.375**	**0.690**	**0.851**	**0.576**	**0.566**	**0.900**	0.966	0.958	**0.928**
Hungary	**0.467**	**0.589**	**0.639**	**0.646**	**0.475**	**0.746**	**0.704**	**0.702**	0.766
India	0.954	0.932	**0.919**	0.944	0.929	**0.891**	**0.903**	**0.905**	**0.797**
Indonesia	0.916	0.888	**0.896**	**0.657**	**0.690**	**0.818**	**0.794**	**0.822**	**0.751**
Malaysia	1.044	1.059	1.070	1.026	1.022	**0.807**	**0.827**	**0.832**	**0.738**
Mexico	**0.088**	**0.083**	**0.099**	**0.185**	**0.083**	**0.390**	**0.280**	**0.248**	0.919
Nigeria	**0.709**	**0.651**	**0.680**	0.926	**0.618**	**0.882**	**0.830**	**0.860**	**0.811**
Peru	**0.001**	**0.001**	**0.001**	**0.001**	**0.000**	**0.001**	**0.001**	**0.001**	**0.839**
Philippines	**0.614**	**0.473**	**0.475**	1.007	**0.450**	0.888	**0.729**	**0.793**	**0.791**
South Africa	0.843	1.075	1.067	1.216	0.994	1.016	1.033	1.036	0.958
Thailand	1.033	1.051	1.008	1.028	0.967	**0.858**	**0.826**	0.903	**0.792**
Turkey	**0.501**	**0.659**	**0.681**	**0.645**	**0.808**	0.989	1.044	0.909	0.995
Mean	0.636	0.697	0.716	0.767	0.666	0.788	0.763	0.773	0.838
Median	0.662	0.702	0.766	0.919	0.717	0.885	0.828	0.861	0.812
#<1	12	11	11	10	13	13	12	13	14
#pv<0.1	8	8	11	6	9	9	11	9	11

Notes: Columns report the ratio of root mean squared prediction error (RMSPE) from the RW-AO model relative to the RMSPE of standard forecasting models. Values less than one imply that the RW-AO model has a lower RMSPE than does the competitive benchmark. Values in bold indicate that the null hypothesis of equal predictive accuracy is rejected at 10% level using the Diebold-Mariano-West statistic or the adjusted Clark-West statistic when models are nested. See Tables 1.A and 1.B for the data sources. RAR and DAR denote AR(2) model using the iterative and direct methods to forecast, DAR4 is the AR(4) model, FAR is the Factor-Augmented AR(2) model, APC is the Augmented Phillips Curve, BVAR2 is the bivariate Bayesian VAR(2), BVAR4 is the 4-variable Bayesian VAR(2), BVAR2-COM is the bivariate Bayesian VAR(2) with commodity price indexes, and TVP is the time-varying parameter specification.

Table S4 - Twelve-Quarters Ahead RMSPE of the RW-AO Model Relative to Competing Models

	M_1	M_2	M_3	M_4	M_5	M_6	M_7	M_8	M_9
	RAR	DAR	DAR4	FAR	APC	BVAR2	BVAR4	BVAR2-COM	TVP
Chile	**0.482**	**0.644**	**0.734**	0.978	**0.586**	0.959	0.950	0.970	0.933
China	**0.590**	**0.492**	**0.438**	**0.535**	0.830	**0.711**	**0.570**	0.858	**0.808**
Colombia	**0.302**	**0.610**	**0.630**	**0.560**	**0.565**	0.821	0.885	0.921	0.933
Hungary	**0.430**	**0.488**	**0.497**	**0.475**	**0.418**	0.842	0.817	**0.816**	0.916
India	1.057	1.087	1.076	1.009	1.027	**0.848**	**0.873**	**0.875**	**0.848**
Indonesia	0.961	0.955	**0.967**	0.831	**0.792**	0.847	0.837	0.868	0.845
Malaysia	1.096	1.108	1.078	1.105	1.103	0.868	0.884	0.886	0.836
Mexico	**0.081**	**0.111**	**0.135**	**0.224**	**0.118**	**0.246**	**0.632**	**0.654**	**0.870**
Nigeria	**0.695**	**0.652**	**0.622**	0.773	**0.613**	0.860	0.907	0.903	**0.850**
Peru	**0.001**	**0.001**	**0.001**	**0.000**	**0.000**	**0.001**	**0.001**	**0.002**	**0.757**
Philippines	**0.536**	**0.509**	**0.570**	1.006	**0.534**	**0.865**	**0.861**	**0.823**	**0.790**
South Africa	0.795	1.005	1.063	1.342	0.926	0.951	0.954	0.950	0.886
Thailand	1.168	1.161	1.151	1.198	1.061	0.944	0.910	0.984	0.910
Turkey	**0.490**	**0.629**	**0.686**	**0.820**	**0.541**	0.926	0.923	0.890	0.975
Mean	0.620	0.675	0.689	0.775	0.651	0.764	0.786	0.814	0.868
Median	0.563	0.637	0.658	0.826	0.600	0.854	0.879	0.880	0.860
#<1	11	10	10	9	11	14	14	14	14
#pv<0.1	9	9	10	6	9	7	6	5	6

Notes: Columns report the ratio of root mean squared prediction error (RMSPE) from the RW-AO model relative to the RMSPE of standard forecasting models. Values less than one imply that the RW-AO model has a lower RMSPE than does the competitive benchmark. Values in bold indicate that the null hypothesis of equal predictive accuracy is rejected at 10% level using the Diebold-Mariano-West statistic or the adjusted Clark-West statistic when models are nested. See Tables 1.A and 1.B for the data sources. RAR and DAR denote AR(2) model using the iterative and direct methods to forecast, DAR4 is the AR(4) model, FAR is the Factor-Augmented AR(2) model, APC is the Augmented Phillips Curve, BVAR2 is the bivariate Bayesian VAR(2), BVAR4 is the 4-variable Bayesian VAR(2), BVAR2-COM is the bivariate Bayesian VAR(2) with commodity price indexes, and TVP is the time-varying parameter specification.

Table S5 - Directional Accuracy: Success Ratio of One-Quarter-Ahead Forecasts

	M_0	M_1/M_2	M_3	M_4	M_5	M_6	M_7	M_8	M_9
	RW-AO	RAR or DAR	DAR4	FAR	APC	BVAR2	BVAR4	BVAR2-COM	TVP
Chile	**0.61** *	0.52 †	0.52 †	0.56	0.48 †	0.56	0.55	**0.56** *	0.56
China	**0.58** *	0.65 †	**0.70** *	**0.71** *	**0.58** *	**0.67** *	**0.62** *	0.61	0.47
Colombia	**0.59** *	0.56 †	**0.64** *	0.53	0.56 †	0.53	0.56	0.58	0.44
Hungary	**0.56** *	0.44	0.47	0.39	0.39	0.42	0.44	0.38	0.50
India	**0.76** *	**0.65** *	**0.62** *	**0.71** *	**0.74** *	**0.70** *	**0.70** *	**0.70** *	**0.59** *
Indonesia	**0.58** *	**0.56** *	**0.58** *	**0.56** *	**0.61** *	**0.56** *	**0.61** *	**0.58** *	0.50
Malaysia	**0.61** *	**0.68** *	**0.70** *	**0.62** *	**0.64** *	**0.65** *	0.56	**0.68** *	**0.55** *
Mexico	**0.70** *	0.47	0.47	0.55	0.53	0.55	0.50	0.47	0.56
Nigeria	**0.68** *	**0.59** *	**0.62** *	**0.59** *	0.58	0.56	**0.59** *	0.56	0.52
Peru	**0.58** *	0.47	0.47	0.47	0.42	0.48	0.47 †	0.47	0.56
Philippines	**0.56** *	**0.65** *	0.61 †	**0.70** *	**0.64** *	**0.71** *	**0.65** *	**0.67** *	0.45
South Africa	0.55	0.50	**0.55** *	**0.61** *	0.39	**0.61** *	0.42	0.41	0.56
Thailand	**0.64** *	**0.65** *	**0.62** *	**0.65** *	**0.64** *	**0.64** *	**0.61** *	**0.65** *	0.55
Turkey	0.55	0.48 †	0.47 †	0.48	0.39	0.48 †	0.47	0.48 †	0.58
Mean	0.61	0.56	0.57	0.58	0.54	0.58	0.55	0.56	0.53
Median	0.58	0.56	0.59	0.58	0.57	0.56	0.56	0.57	0.55
#>0.5	14	9	10	11	9	11	9	9	9

Notes: Columns report the ratio of success in directional accuracy. Values in bold (*) indicate that the null hypothesis of no dependence between sign(forecast change) and sign(actual change) is rejected at 10% level using the Pesaran and Timmermann (2009) test. A "†" symbol at the right of each value indicates that the test statistic is undefined due to the presence of many forecasts in one direction. The row #>0.5 reports the number of economies that show a success ratio higher than 0.5 for a particular model. See Tables 1.A and 1.B for the data sources. RW-AO stands for the random walk model proposed by Atkeson and Ohanian (2001), RAR and DAR denote AR(2) model using the iterative and direct methods to forecast, DAR4 is the AR(4) model, FAR is the Factor-Augmented AR(2) model, APC is the Augmented Phillips Curve, BVAR2 is the bivariate Bayesian VAR(2), BVAR4 is the 4-variable Bayesian VAR(2), BVAR2-COM is the bivariate Bayesian VAR(2) with commodity price indexes, and TVP is the time-varying parameter (TVP) specification.

Table S6 - Directional Accuracy: Success Ratio of Four-Quarters-Ahead Forecasts

	M_0	M_1	M_2	M_3	M_4	M_5	M_6	M_7	M_8	M_9
	RW-AO	RAR	DAR	DAR4	FAR	APC	BVAR2	BVAR4	BVAR2-COM	TVP
Chile	**0.59** *	0.57 †	0.56 †	0.59	0.56	0.59 †	**0.67** *	0.57 †	0.59 †	0.44
China	**0.59** *	0.62 †	0.65 †	0.65 †	**0.65** *	**0.62** *	**0.70** *	0.56	**0.63** *	0.46
Colombia	**0.59** *	0.54 †	**0.57** *	0.54	0.51	0.54 †	0.51	0.56	0.56 †	0.48
Hungary	**0.63** *	0.41 †	0.49 †	**0.56** *	0.48	0.44 †	0.48	**0.46** *	0.40 †	0.56
India	**0.78** *	**0.60** *	**0.60** *	**0.62** *	**0.68** *	**0.62** *	**0.68** *	**0.60** *	**0.60** *	**0.57** *
Indonesia	**0.60** *	**0.62** *	**0.62** *	**0.60** *	0.52 †	**0.59** *	0.49 †	**0.54** *	**0.60** *	**0.62** *
Malaysia	**0.73** *	**0.79** *	**0.79** *	**0.76** *	**0.81** *	**0.81** *	**0.78** *	**0.78** *	**0.79** *	0.49
Mexico	**0.71** *	0.51 †	0.51 †	0.51 †	0.54	0.52 †	**0.59** *	0.52 †	0.54 †	0.49
Nigeria	**0.70** *	**0.57** *	**0.57** *	**0.57** *	**0.63** *	**0.59** *	**0.62** *	**0.60** *	**0.57** *	0.52
Peru	**0.75** *	0.54 †	0.54 †	0.54 †	0.32	0.54	0.37	**0.60** *	0.49	0.48
Philippines	**0.67** *	**0.56** *	0.52 †	0.51 †	**0.63** *	0.52	**0.63** *	0.49	0.49 †	**0.60** *
South Africa	**0.62** *	**0.67** *	**0.67** *	**0.71** *	**0.67** *	**0.68** *	**0.70** *	**0.68** *	**0.70** *	0.43
Thailand	**0.71** *	**0.63** *	**0.65** *	**0.70** *	**0.67** *	**0.67** *	**0.67** *	**0.67** *	**0.67** *	0.56
Turkey	**0.76** *	0.51 †	0.51 †	0.52 †	0.56 †	**0.57** *	0.51 †	0.57	0.51 †	0.54
Mean	0.67	0.58	0.59	0.60	0.59	0.59	0.60	0.59	0.58	0.52
Median	0.68	0.57	0.57	0.58	0.60	0.59	0.63	0.57	0.58	0.51
#>0.5	14	13	13	14	12	13	11	12	11	7

Notes: Columns report the ratio of success in directional accuracy. Values in bold (*) indicate that the null hypothesis of no dependence between sign(forecast change) and sign(actual change) is rejected at 10% level using the Pesaran and Timmermann (2009) test. A "†" symbol at the right of each value indicates that the test statistic is undefined due to the presence of many forecasts in one direction. The row #>0.5 reports the number of economies that show a success ratio higher than 0.5 for a particular model. See Tables 1.A and 1.B for the data sources. RW-AO stands for the random walk model proposed by Atkeson and Ohanian (2001), RAR and DAR denote AR(2) model using the iterative and direct methods to forecast, DAR4 is the AR(4) model, FAR is the Factor-Augmented AR(2) model, APC is the Augmented Phillips Curve, BVAR2 is the bivariate Bayesian VAR(2), BVAR4 is the 4-variable Bayesian VAR(2), BVAR2-COM is the bivariate Bayesian VAR(2) with commodity price indexes, and TVP is the time-varying parameter specification.

Table S7 - Directional Accuracy: Success Ratio of Eight-Quarters-Ahead Forecasts

	M_0 RW-AO	M_1 RAR	M_2 DAR	M_3 DAR4	M_4 FAR	M_5 APC	M_6 BVAR2	M_7 BVAR4	M_8 BVAR2-COM	M_9 TVP
Chile	**0.63** *	0.54 †	**0.69** *	**0.69** *	**0.64** *	0.56 †	**0.71** *	**0.64** *	0.66 †	0.49
China	**0.69** *	0.56 †	0.56 †	0.58 †	**0.71** *	**0.71** *	**0.75** *	**0.59** *	**0.69** *	0.53
Colombia	**0.58** *	0.47 †	0.47	0.54	0.41	0.44	0.53 †	0.56	**0.66** *	0.49
Hungary	**0.64** *	0.37 †	0.41 †	0.47	0.47	0.41 †	0.44	0.39 †	0.37 †	0.61
India	**0.71** *	**0.76** *	**0.78** *	**0.78** *	**0.73** *	**0.80** *	**0.75** *	**0.81** *	**0.80** *	**0.58** *
Indonesia	**0.73** *	**0.53** *	**0.53** *	**0.54** *	0.44	0.44	**0.53** *	0.42	0.46	0.63
Malaysia	**0.68** *	**0.71** *	**0.73** *	**0.73** *	**0.75** *	**0.71** *	**0.75** *	**0.66** *	**0.73** *	0.47
Mexico	**0.64** *	0.32 †	0.32 †	0.32 †	**0.59** *	0.37	0.64	0.34 †	0.36 †	0.59
Nigeria	**0.66** *	**0.58** *	**0.58** *	**0.59** *	**0.66** *	**0.63** *	**0.66** *	**0.61** *	**0.66** *	**0.56** *
Peru	**0.71** *	0.59 †	0.59 †	0.59 †	0.46	0.56	0.59 †	0.47	0.47	0.47
Philippines	**0.75** *	**0.51** *	0.47 †	0.49 †	**0.69** *	0.47 †	**0.61** *	**0.51** *	0.46 †	0.51
South Africa	0.54	**0.64** *	**0.63** *	**0.61** *	**0.81** *	**0.68** *	**0.61** *	**0.71** *	**0.63** *	0.46
Thailand	**0.80** *	**0.68** *	**0.73** *	**0.71** *	**0.71** *	**0.61** *	**0.68** *	**0.61** *	**0.76** *	0.53
Turkey	**0.59** *	0.46 †	0.46 †	0.46 †	0.47	0.47	0.46	0.56 †	0.46 †	0.51
Mean	0.67	0.55	0.57	0.58	0.61	0.56	0.62	0.56	0.58	0.53
Median	0.67	0.55	0.57	0.58	0.65	0.56	0.63	0.58	0.64	0.52
#>0.5	14	10	9	10	9	8	12	10	8	9

Notes: Columns report the ratio of success in directional accuracy. Values in bold (*) indicate that the null hypothesis of no dependence between sign(forecast change) and sign(actual change) is rejected at 10% level using the Pesaran and Timmermann (2009) test. A "†" symbol at the right of each value indicates that the test statistic is undefined due to the presence of many forecasts in one direction. The row #>0.5 reports the number of economies that show a success ratio higher than 0.5 for a particular model. See Tables 1.A and 1.B for the data sources. RW-AO stands for the random walk model proposed by Atkeson and Ohanian (2001), RAR and DAR denote AR(2) model using the iterative and direct methods to forecast, DAR4 is the AR(4) model, FAR is the Factor-Augmented AR(2) model, APC is the Augmented Phillips Curve, BVAR2 is the bivariate Bayesian VAR(2), BVAR4 is the 4-variable Bayesian VAR(2), BVAR2-COM is the bivariate Bayesian VAR(2) with commodity price indexes, and TVP is the time-varying parameter specification.

Table S8 - Directional Accuracy: Success Ratio of Twelve-Quarters-Ahead Forecasts

	M_0	M_1	M_2	M_3	M_4	M_5	M_6	M_7	M_8	M_9
	RW-AO	RAR	DAR	DAR4	FAR	APC	BVAR2	BVAR4	BVAR2-COM	TVP
Chile	0.56	0.56 †	0.60 †	0.60 †	**0.65** *	0.56 †	**0.55** *	**0.67** *	**0.58** *	**0.62** *
China	**0.80** *	**0.58** *	**0.60** *	**0.60** *	**0.73** *	**0.71** *	0.53 †	0.53 †	0.56	**0.64** *
Colombia	**0.60** *	0.40 †	0.45	0.49	0.40	0.36	0.60 †	0.60 †	0.60 †	**0.65** *
Hungary	0.51	0.35 †	0.35 †	0.38 †	0.36	0.38	0.40	0.35 †	0.35 †	0.56
India	**0.69** *	**0.73** *	**0.67** *	**0.65** *	**0.65** *	**0.69** *	**0.53** *	**0.53** *	**0.53** *	0.51
Indonesia	**0.60** *	**0.64** *	**0.64** *	**0.67** *	**0.58** *	**0.60** *	**0.60** *	0.56	**0.62** *	0.47
Malaysia	**0.71** *	**0.64** *	**0.64** *	0.58	**0.67** *	**0.64** *	**0.62** *	**0.62** *	**0.62** *	0.47
Mexico	**0.73** *	0.44 †	0.44 †	0.44 †	0.49	0.47	0.56 †	0.56	0.56	0.56
Nigeria	**0.69** *	**0.55** *	**0.55** *	**0.53** *	0.60	**0.64** *	0.53	**0.65** *	**0.69** *	0.55
Peru	**0.84** *	0.53 †	0.53 †	0.53 †	0.36	0.51	0.53 †	0.49	0.55	0.44
Philippines	**0.78** *	**0.56** *	**0.56** *	**0.56** *	**0.71** *	**0.58** *	**0.65** *	**0.64** *	**0.62** *	0.53
South Africa	0.56	**0.62** *	**0.67** *	**0.67** *	**0.82** *	**0.67** *	**0.58** *	**0.71** *	**0.67** *	0.47
Thailand	**0.64** *	**0.67** *	**0.67** *	**0.67** *	**0.73** *	**0.65** *	**0.60** *	0.45	**0.65** *	0.55
Turkey	**0.64** *	0.42 †	0.42 †	0.42 †	0.40	0.42	0.44	0.60 †	**0.53** *	0.55
Mean	0.67	0.55	0.56	0.56	0.58	0.56	0.55	0.57	0.58	0.54
Median	0.66	0.56	0.58	0.57	0.63	0.59	0.55	0.58	0.59	0.55
#>0.5	14	10	10	10	9	10	12	11	13	10

Notes: Columns report the ratio of success in directional accuracy. Values in bold (*) indicate that the null hypothesis of no dependence between sign(forecast change) and sign(actual change) is rejected at 10% level using the Pesaran and Timmermann (2009) test. A "†" symbol at the right of each value indicates that the test statistic is undefined due to the presence of many forecasts in one direction. The row #>0.5 reports the number of economies that show a success ratio higher than 0.5 for a particular model. See Tables 1.A and 1.B for the data sources. RW-AO stands for the random walk model proposed by Atkeson and Ohanian (2001), RAR and DAR denote AR(2) model using the iterative and direct methods to forecast, DAR4 is the AR(4) model, FAR is the Factor-Augmented AR(2) model, APC is the Augmented Phillips Curve, BVAR2 is the bivariate Bayesian VAR(2), BVAR4 is the 4-variable Bayesian VAR(2), BVAR2-COM is the bivariate Bayesian VAR(2) with commodity price indexes, and TVP is the time-varying parameter specification.

**Table S9 - RMSPE of the RW-AO Model Relative to the RMSPE of Consensus Forecasts™**

	Quarter-over-quarter inflation rates						Year-over-year inflation rates					
	h=1	h=2	h=3	h=4	h=5	h=6	h=1	h=2	h=3	h=4	h=5	h=6
Chile	1.167	1.176	1.373	1.406	1.287	1.266	2.508	2.689	2.118	1.793	1.681	1.640
China	0.881	1.147	1.610	1.564	1.211	1.402	1.780	1.918	1.891	1.950	2.016	2.023
Colombia	0.713	1.001	0.981	1.353	0.896	1.161	1.801	1.685	1.449	1.317	1.331	1.355
Hungary	0.931	1.011	0.862	0.930	0.933	1.022	1.634	1.343	1.119	1.073	1.054	1.043
India	0.671	0.821	0.875	0.781	0.775	0.958	0.938	0.953	0.930	0.977	1.072	1.171
Indonesia	1.309	1.197	1.394	1.655	1.348	1.223	3.539	3.161	2.361	1.983	1.850	1.663
Malaysia	1.355	1.190	1.123	1.161	1.061	1.080	2.123	1.934	1.674	1.519	1.344	1.211
Mexico	1.139	1.062	1.078	1.043	0.832	0.918	1.938	1.583	1.717	1.484	1.448	1.465
Peru	1.018	1.114	1.627	1.509	1.394	1.323	2.369	2.632	2.093	1.737	1.694	1.693
Philippines	0.982	1.062	1.128	1.045	1.170	1.317	2.029	2.302	1.924	1.694	1.608	1.511
Thailand	1.074	1.053	1.240	1.221	0.950	0.946	1.980	2.030	1.694	1.404	1.271	1.191
Turkey	0.891	1.078	1.054	0.831	0.678	0.614	1.575	1.594	1.193	0.783	0.585	0.572
Mean	1.011	1.076	1.195	1.208	1.045	1.102	2.018	1.985	1.680	1.476	1.413	1.378
Median	1.000	1.070	1.125	1.191	1.005	1.121	1.959	1.926	1.706	1.501	1.396	1.410
#<1	6	1	3	3	6	4	1	1	1	2	1	1

Notes: Columns report the ratio of root mean squared prediction error (RMSPE) from the RW-AO model relative to the RMSPE of Consensus Forecast (CF) predictions. Values less than one imply that the RW-AO model has a lower RMSPE than does the competitive benchmark. CF's predictions for Nigeria and South Africa were not available. Forecasts start in: 2006Q4 for China, India, Indonesia, Malaysia, and Thailand; in 2007Q1 for Chile, Colombia, Hungary, Mexico, Peru, and Turkey; and in 2009Q3 for Phillipines. The row #<1 reports the number of economies (out of 12) that show relative RMSPE lower than 1 for a particular forecast horizon and type of inflation rate (quarter-over-quarter or year-over-year rates).

Table S10 - Directional Accuracy: Success Ratio of the RW-AO Model Relative to Consensus Forecasts™

	Quarter-over-quarter inflation rates						Year-over-year inflation rates					
	h=1	h=2	h=3	h=4	h=5	h=6	h=1	h=2	h=3	h=4	h=5	h=6
Chile	1.000	1.083	0.929	0.857	0.786	0.923	0.583	0.818	0.909	0.917	1.000	1.000
China	1.160	1.115	1.074	1.040	0.926	0.929	0.773	0.760	1.053	1.000	0.952	0.818
Colombia	1.000	0.786	1.000	0.917	0.917	1.000	0.571	0.571	0.615	0.833	0.833	0.917
Hungary	0.714	1.100	0.714	0.929	1.083	1.000	0.462	0.667	0.700	0.583	0.727	0.900
India	1.160	1.115	1.074	1.040	0.926	0.929	0.773	0.760	1.053	1.000	0.952	0.818
Indonesia	1.000	0.923	0.920	0.929	1.083	1.130	0.571	0.548	0.800	1.000	1.333	1.286
Malaysia	1.000	0.966	1.000	0.929	1.080	0.963	0.500	0.588	0.759	1.000	1.037	1.071
Mexico	1.071	1.000	0.933	0.933	1.308	1.154	0.706	1.071	0.875	0.813	0.929	0.857
Peru	0.692	0.714	0.692	1.100	0.917	0.923	0.400	0.533	0.643	0.917	1.000	1.077
Philippines	0.895	0.826	1.053	0.750	0.889	0.789	0.933	0.750	0.700	0.833	1.063	1.143
Thailand	1.000	1.083	1.040	0.857	0.923	0.917	0.875	0.852	0.815	0.808	0.769	0.909
Turkey	1.000	1.083	1.000	1.071	1.154	1.143	0.917	0.846	1.083	1.364	1.273	1.444
Mean	0.974	0.983	0.952	0.946	0.999	0.983	0.672	0.730	0.834	0.922	0.989	1.020
Median	1.000	1.042	1.000	0.929	0.926	0.946	0.645	0.755	0.807	0.917	0.976	0.958
#<1	3	5	5	8	7	7	12	11	9	7	6	6

Notes: Columns report the ratio of success in directional accuracy from the RW-AO model relative to the ratio of directional accuracy of Consensus Forecast (CF) predictions. Values less than one imply that the RW-AO model has a lower success ratio than does the competitive benchmark. CFs predictions for Nigeria and South Africa were not available. Forecasts start in: 2006Q4 for China, India, Indonesia, Malaysia, and Thailand; in 2007Q1 for Chile, Colombia, Hungary, Mexico, Peru, and Turkey; and in 2009Q3 for Phillipines. The row #<1 reports the number of economies (out of 12) that show relative ratio of success lower than 1 for a particular forecast horizon and type of inflation rate (quarter-over-quarter or year-over-year rates).

Figure S1. Quarter-over-Quarter Headline CPI Inflation Rate (SAAR, %) Across EMEs
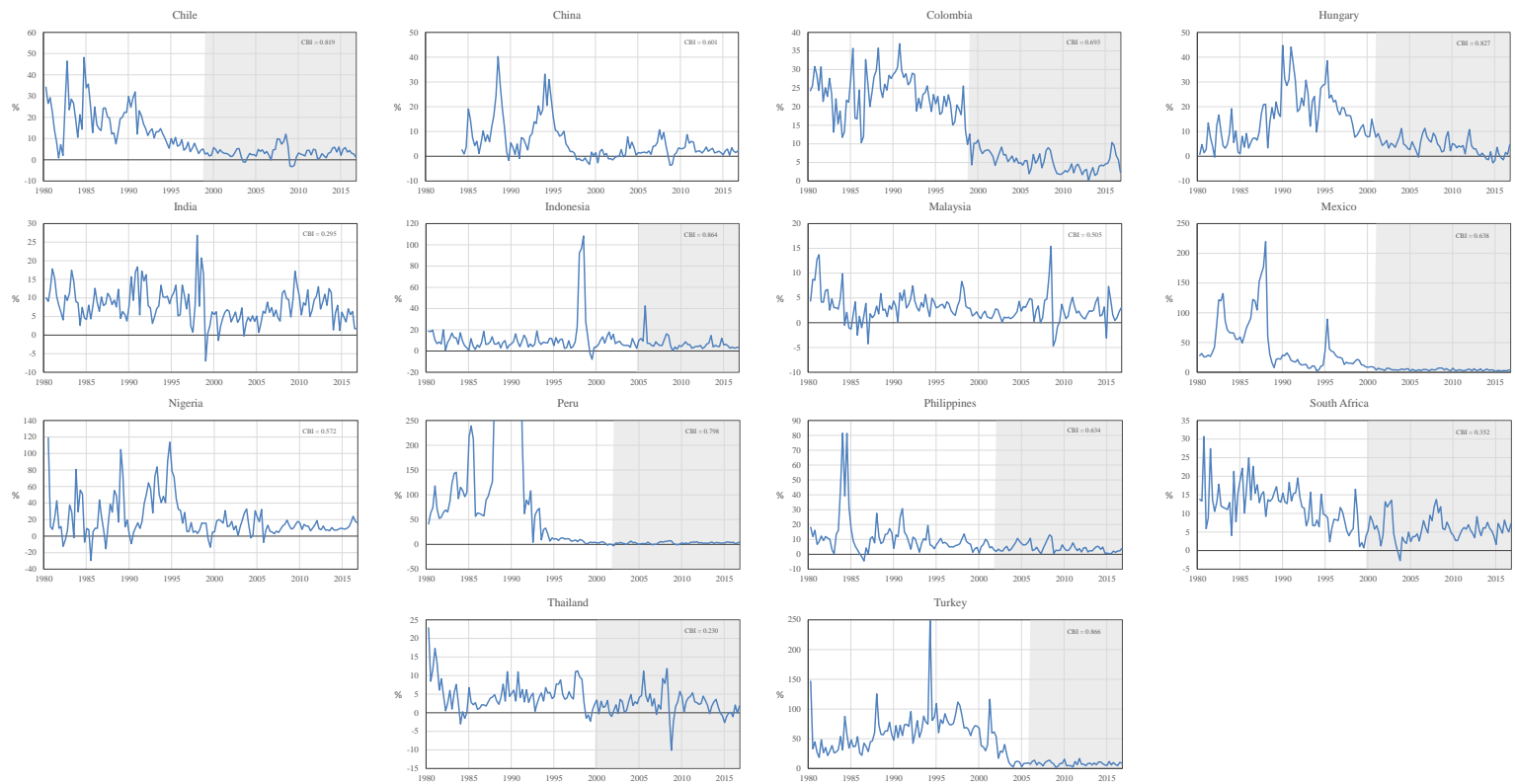
Notes: SAAR denotes seasonally-adjusted, annualized rate computations of the quarter-over-quarter growth rate. The shaded area defines the period each country operated under a *de jure* or *de facto* inflation-targeting scheme based on information from Roger (2010) and Hammond (2012). We also include a value corresponding to the index of central bank independence (CBI) proposed by Garriga (2016) for each country whereby a higher value closer to one by this measure indicates a more independent monetary policy framework. We follow the convention on hyperinflations in the literature introduced in Phillip Cagan's 1956 book *The Monetary Dynamics of Hyperinflation*: we define an episode of hyperinflation as the period when inflation is above 50% monthly (which corresponds to approximately 250% at quarterly frequency) and cap the vertical axis of each subplot accordingly. The only country in our sample that shows a distinct episode of hyperinflation in our sample is Peru during the late 1980s and early 1990s.